

FAR EASTERN ECONOMIC REVIEW

VOL. X

Hongkong, February 8, 1951

No. 6

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BRITISH FAR EASTERN POLICY SINCE THE WAR

By E. Stuart Kirby.

The decisive factor in Britain's postwar situation is the home country's immediate dependence on export trade. Reliance on exports is much greater now than it was before the War, owing to the decline in "invisible" earnings and the war-time depletion of capital. Immediately after the War, the blunt phrase was "Export or die". Since that time there has indeed been a phenomenal reequipment and revival in Great Britain, resulting in a considerable improvement in the balance of trade position. Recently the home country was able to declare that it would dispense henceforward with Marshall Aid. This was all very quietly done; in some countries there would have been voluble propaganda about the material achievements, and the fact that they were accompanied also by an unprecedented increase in social services. But such is evidently not the British way; recently there has even been expressed, in Britain, opposition to the holding of an Exhibition which might show the background of this progress. Nevertheless, the postwar British economy is predicated on exports, to a greater degree than ever before. Trade is the dominant motive.

Moreover, as time goes on, that trade is increasingly "general" in character. It is much less dependent than once it was on specialities—particular types of goods—or on special or selective markets. British trade is, more than that of any country, heterogeneous in kind and worldwide in extent; and these extensive trends would seem to be increasingly marked in the postwar years.

It is therefore natural that Britain, as a nation, should show essentially a behaviour-pattern resembling that shown, on the individual plane of ordinary life, by a trader. The trader, more than any other citizen, must by nature stand for peace and security. He may have ideas of his own, which he is ready to advocate, but he does not wish to interfere in the private affairs of others. To do so is bad business: unless or until an individual's conduct menaces the whole community. When that happens the merchant is ready to consider police measures. Up to that point, however, his principal concern is the maintenance of the collective framework of business, and he is more likely to be accused of appeasement than of coercion. These considerations apply especially to the trade whose business is of a "general" nature, not closely specialised in kind or locality. The other, the man who is interested in some special category of transactions, or some regional market, tends thereby to be involved in considerations of "spheres of interest" or influence, pressures, political involvements, or such matters; the meshes of which the non-specific "general" trader may well avoid, and will rather hope to do so.

These considerations may help to fix in mind the true and basic nature of British relations abroad, over the largest and most decisive part of their range. Especially perhaps in the Farthest East and other parts of Asia where major British political involvements—in the sense, at any rate, of any capacity or will for domination—have ceased. It needs to be noted at the same time that, if

the relinquishment of local responsibilities and involvements has in some ways been welcome, the resultant position for Britain is in other respects a very awkward one to maintain, in a world in which there are severe conflicts, both local and general: in which various factions expect Britain to take a part, or an attitude, on grounds other than trade interests. If she does so, business and "goodwill" suffer; if she refuses and avows solely or mainly a commercial interest, some are led to think they can squeeze, coerce and despise her.

Our grandfathers thought, in their time, that Napoleon had been so effectively disabused of the error, implied in his celebrated description of the English as "a nation of shopkeepers", that others after him would not repeat his mistake. But Hitler more recently made similar misjudgements; and now it seems that even he is not the last in the bloodstained succession, as there is apparently still another sect of self-styled "realists" ready to try the same tack. As was said at one memorable moment: "What kind of people do they think we are?" To behave with decency and restraint seems to bring the obligation, every ten or twenty years, to fight like fury; in order to show to people who are chronically unable to keep a sense of proportion, that we have our standards and intend to uphold them.

* * *

British policy in Asia since the war has demonstrated what those standards are, and what they can contribute in the world community. Let us consider concretely what British policy has been since the War, and what the basis of criticism is. In their homeland this allegedly conservative and unimaginative people made a drastic change of

government, with prospects of a fundamental change in economic and social policies. In Imperial policy, the venture was no less; the greatest voluntary cessions of power in all history were those in the Indian subcontinent and in other areas of Asia. It is sought to replace domination by free association. The British interest is not in the maintenance of any specific *status quo*, but in securing and extending a general framework of practical and adaptable relations. The fund of goodwill generated, in India and the other countries concerned, shows that this is the common desire.

In the Far East, east and north-east of Malaya, Britain's interests are largely external. The main motive would be to secure world peace, to prevent the area becoming the starting place of another world war; the major interest would be maintenance of the more general structure of the surrounding Empire and trade areas, all round the Indian and Pacific Oceans. Internally, within the Far East, the interests concerned are less vital, though still important. The security and progress of India, Ceylon, Pakistan would be endangered if the supply of rice from S. E. Asia were cut off. Malaya and Borneo are immediately valuable, though not altogether indispensable from the broad worldwide view of the whole British Commonwealth, as exporters of dollar-earning materials. Britain (and Europe generally) run an unfavourable balance of trade with America (Central and South, as well as North). This was so before the war, and is to some extent a basic structural fact in the world economy; though it has of course been magnified and distorted by the consequences of the war, some such relation would have an underlying influence under any political dispensation. The British standpoint is essentially that the development of this "triangular" relation in particular, and of multilateral relations in general, is the best and surest way to world progress.

* * *

During the war—if not earlier—British opinion advanced far in the direction of a belief that colonial domination (of any but very primitive peoples) was not only morally wrong, but was materially unprofitable. The first full Labour Government statement on the colonies (February 1946) stressed that "we should do far better by helping these countries... from a purely

trade point of view, in trade and commerce" and not "under the old-fashioned Colonial system of the past". Britain accepted the rise of nationalism everywhere. The Foreign Minister (on the same occasion just quoted) referred to "the rise of the independence movement all over (Asia), which must be faced, and which we do not intend to frustrate." The only concern was to keep nationalism in constructive channels, to ensure smooth transitions, and prevent the abuse of these movements for disruptive and sectarian ends. It soon became clear how far British social and political thought was in advance of that of other European countries. France and Holland, for instance, emerging from Nazi occupation, were largely unable to adjust themselves to the tides of feeling in Indochina and Indonesia. While British sympathies were with the latter, the needs of defence and stability in Europe made it necessary to deal also with the French and Dutch governments as such.

British aid to reconstruction and rehabilitation in East Asia was on a vast scale. The initiative was taken in S. E. Asia from the moment of the Japanese surrender, in organising food supplies and shipping, and restoring transport and communications, as well as local governmental and social services. At the Colombo Conference early in 1950 it was stated that Britain had made since the War, by way of rehabilitation etc. over £750 million of "unrequited exports" to Asian countries. The immediate conception of development, applied at once from 1945, was characteristically the principle of encouraging the supply of "incentive goods"; to restore morale and self-respect and stimulate productivity in colonial areas by maximising the availability of consumer goods. Producers will not give their best efforts, or care to put their produce on the market, unless they can get consumer goods in return. Thus far removed from the world of reality is the standard Communist picture of "ruthless colonial exploitation."

The British mind is notoriously pragmatic. It has shown a marked avoidance of grandiose formulae, and has always sought to be practical, paying strict attention to "priorities". Before a house can be built, foundations must be laid; and even prior to that, the ground must be selected and cleared. Before developmental investment can begin on anything like the desired

scale, various essential facilities must be in existence; in most of Asia, the case is not merely that these are still lacking, but even that the ground is not surveyed. If (under, say, an enlarged Point Four programme) Asian countries were to receive large allocations of development capital now it would in many cases not be a question of selecting—as between existing, known and available alternatives—which uses to put it to, but the necessity of starting at a still lower stage: that of beginning to investigate what openings there are, and what are their relative merits. British stress has always been, therefore, not only on the well-known aspects of "law and order" but also on administrative integrity and convenience, technical training and practicality, statistics, mapping, complete information, and a systematic sense of procedure. The very words "civil service" are suggestive, in their literal meaning, of what is involved; compare, in other languages, the usages "official", "functionary", "administrator", etc. The countries which have been under British rule inherit these special characteristics. In the postwar period, special attention has been paid to the modernisation of these traditional features: in such matters, particularly, as in the improvement of statistics and records and all the other documentation and investigation which in the age of Planning is so important.

* * *

A major instance, the history of which ought to be better known, is the work of the Special Commission in S. E. Asia. The wartime Supreme Allied Commander for S. E. Asia (Admiral Mountbatten) had at the close of the war very wide coordinating functions and practical powers, economic and political as well as military, in the area. To carry on the non-military part of these after the S. E. Asia Command had ceased to exist, and use them as a powerful aid to rehabilitation and resettlement of the region, it was announced in February 1946 that Lord Killearn was appointed Special Commissioner (for the British Government) in South-East Asia, for that general purpose. His prior task was to regularise food supplies; actual famine threatened. A considerable organisation was established, with headquarters at Singapore. In its heyday it had a staff of over 500; but this was no bureaucratic overgrowth, it carried on a very large and effective work. Full

and constant liaison was developed with all countries in the area (non-British as well as British) and there was collaboration on all relevant activities. Regular conferences were held and permanent working organisations maintained. The food situation was watched and studied, allocations of rice and shipping were made by international agreement through this organisation, which also arranged internationally the distribution of other foods, vegetable oils, consumer goods, fertilisers, fuels, war-surplus stores, and port facilities. There was complete pooling of knowledge and technical assistance in such varied matters as welfare, health, statistics, fisheries, nutrition, crops, and research.

Lord Killearn was succeeded on his retirement (March 1948) by Mr. Malcolm Macdonald. As the latter was concurrently Governor-General in Malaya, the Commissioner's coordinating role was amplified. Some of the Commission's activities have since been contracted, others expanded. Lately,—especially perhaps with the rapid and satisfactory development of the work of the United Nations' own regional and super-national organisation in the fields concerned (ECAFE, Bangkok),—more and more of the technical and executive work has been transferred to the international agencies under the U.N. The story of this S. E. Asia

Commission is a good illustration of the empirical character of British policy. It was started primarily, perhaps, to meet an imminent threat of famine, and as an organisation for commandeering ships. It went on to functions connected with the clearing-up of the immediate aftermath of war. It proceeded a little distance in the direction of being both a Round Table and a Federal Union, for all the governments in S. E. Asia. It entered from time to time into all sorts of activities, or dropped them, as convenient. This has been a flexible and reasonably efficient instrument, and has done much spade-work for the future development and progress of S. E. Asia. Recently, a wider step has been taken, with the inception of the Colombo Scheme, representing a fully integrated Six Year Plan for all the Commonwealth countries in South and South-east Asia, in which non-Commonwealth states are also joining; a permanent central organisation is to be set up for this, in which the previous experience of the S. E. Asia Commission will be valuable.

* * *

The above instance may serve to illustrate the essential character of the British approach in this part of the world, in a case where British policy has a free (or relatively free)

hand. British policy in the Eastern Hemisphere seems likely now to find its centre of gravity more and more in the Colombo Plan. Elsewhere in the Far East there is only one paramount interest for Britain, if trade is made impossible or so difficult as to be hardly worth while: namely, the preservation of international security and world peace. That, for the present, is all that need be said here, in respect of Korea; and perhaps of Japan too. This must be the main consideration as regards China also, from the British point of view. The trade of China with Britain, important as it may be locally, is a tiny percentage of the whole trade of Britain or the Commonwealth. It is potentially very great; the considerable prosperity of Hongkong since the war is only a small and limited illustration of what could be a normal and widespread condition. Here, British policy must appear somewhat passive; it is only possible to wait and see. But it is incorrect to suppose that this means any lack of principle, any weakness, or lack of practical ideas. British policy can only be judged in a worldwide perspective; if such a wide view is taken, it will be seen that the recent record is one of firmness of purpose, clarity of ideas, and efficiency in practice.

A REVIEW OF EVENTS IN 1950

January

Recognition by Great Britain of the new People's Republic of China was officially announced during the earlier days of the month. It was welcomed by the majority of merchants in Hongkong as paving the way to greater possibilities for trade and at the same time doing away with many of the annoying snags that traders had encountered during the past few months. It was, however, recognised that no immediate effect could become noticeable until the Peking authorities had acknowledged this recognition,—which was not done, in spite of hopeful anticipations.

In the meantime, the blockade of China ports initiated by the Nationalists was continued by air from Taiwan where the Nationalist Government had removed. This prevented ships from entering Shanghai and other ports. While dispossessing Shanghai of the great geographical advantages it had enjoyed for so long, this brought Tientsin and Tsingtao to the fore as being outside the radius of effective air activity. In this way, the northern ports became the lifeline for China to the outside world. Trade with Tientsin and Tsingtao as a result mounted steadily, and it became clearer during the following weeks that the new regime in China had established itself. Their actions caused the former talk of Titoism in China to die out. State enterprises grew in number, but as the desire of the government was to increase trade no objection was made to private merchants carrying on and these latter were able to maintain their business connections. Reports from other parts of China were equally hopeful, although a darker note of warning that this apparently encouraging period was soon to die out was frequently heard.

Transportation facilities between Hongkong and China improved, with every hope of reaching normalcy, when the Nationalists unexpectedly raided Canton thus bringing the partially restored railway service between Kowloon and Canton to an abrupt stop for the time being.

Hongkong's trade during the month of January amounted to HK\$322 million in imports and \$238.9 million in exports; in the previous year, the figures amounted to \$159 million and \$171.8 million respectively.

February

A thirty-four year treaty of friendship and mutual aid was signed between Russia and China on February 4 in Moscow. This treaty heralded the end of civil war in China and focussed attention on Taiwan which, it was generally thought, would be attacked next, although rumours were rife that the Chinese army was being moved south towards the Indochina border with the intention, presumably, of assisting the insurgents.

An event worthy of note during the month—was the inauguration of the Hongkong-Dairen shipping service. The

round trip, which took forty days, was confined to vessels flying the flags of those countries which had recognised the new People's Government. Controls were exercised in Dairen by the North-east Import and Export Co. A further heavy raid by the Nationalists occurred at Shumchun on February 5 and inflicted damage estimated at \$2 million, on the heavy accumulation of goods dumped at the frontier station. This damage was due to the fact that since the railway service had been closed between Hongkong and Canton goods had accumulated at Shumchun, the greater part of which had to be dumped in the open due to lack of godown space in this small country town. The Nationalists also continued to bomb warehouses, factories, power plants and shipping in Shanghai, thus paralysing all commercial activity. Commodity prices in Shanghai, other than rice which was controlled by the Government, rose steeply.

In Hongkong, labour unrest culminated in a sustained tramway strike which threatened to spread to all the utility services. This situation and demands for increased pay attracted attention to the cost of living index compiled by the Department of Statistics. This compilation showed from figures based on the retail price index of March 1947, that the cost of living had been held in check until September 1949 when the figure was actually only 93% of 1947 index, but that from that date until December the cost of living had risen steadily to 112%. Increased air traffic at Kai Tak brought the possibility of erecting an air port at Deep Bay once again into prominence. Surveying operations were inaugurated but, pending the result, certain improvements as well as the re-surfacing of the runways at Kai Tak were carried out.

Trade during the month amounted to \$248.67 million for imports and \$198.7 million for exports (1949 imports \$161.6 exports \$135.5 million).

March

Private enterprise under the new regime began to show definite indications of a decline, with Peking extending control over exports of bristles, soya beans, metallic ores, tungsten, tin and antimony. Merchants were informed that they could still purchase and process raw materials, though exporting was forbidden. New taxation schemes were inaugurated, no fewer than fourteen being drawn up. Great emphasis was laid upon plans for the development of agriculture and for the production of foodstuffs, cotton, etc. The Kowloon-Canton railway resumed traffic on March 12 when the first train drew in at Kowloon station with a full cargo of feathers, vegetable oils, ores and other China produce, to leave the following day with cotton, textiles, lubricating oil, rubber, etc.

Hongkong's population in March was unofficially estimated to number between two and 2½ million, 99% being

of Chinese nationality. Hongkong's total trade in March amounted to \$279 million in imports and \$230 million in exports (1949 imports \$221.7 million, export \$177 million). For the first quarter of the year, imports showed a total of \$849 million as against \$542.67 million during the same period of 1949, while exports amounted to \$667.9 million as against \$484 million in 1949.

April

The new regime in China continued to consolidate its position, while the fall of Hainan Island to the communist forces again indicated the lack of support given to the former Nationalist government. The fall of Hainan not only gave the People's army greater possibilities of exerting pressure on Indochina, but definitely offset any possible opposition that might have been displayed in South China against the new order. In Peking the government elaborated preparations to bring industries, communications, mining and enterprises under state control and planning. It was however, decided that the moment was not propitious to the construction of new railways, although existing railroads were scheduled for repair. Shipping was to be started on the Yangtze, wharves were to be rebuilt, while the Tangku Harbour construction work at Tientsin, which was started by the Nationalists with American financial support, was to be continued. No new highways were to be built, but existing ones would be repaired. Water conservancy, including irrigation of dry areas and the overall construction of dykes was to be carried out. In Manchuria, a target for the production of coal was set at 50 million tons by 1952 while general rehabilitation of the steel industry was to be inaugurated.

The situation in Shanghai continued with little change, although the Nationalist air raids became less heavy as the weeks passed. The general economic and political development in the city was reported to tally with that of all Chinese cities, where the officials were endeavouring to lead the people to an acceptance of the new order. At the same time the Government was taking over more control of commercial enterprises, making it impossible for merchants to continue business on the old lines. As far as Russian participation in Chinese affairs was concerned, the four airfields in the Shanghai area were placed under Russian-Chinese control, but with Russian technicians and in many cases Russian pilots. The number of Russian military, technical and other personnel generally was greatly increased and their participation in organisation took a more definite form, although their actual position in regard to the Peking government was kept secret. Stabilising the currency combined with a considerable reduction in commodity prices, created a change in popular sentiment towards the new regime. Rice and consumer goods were particularly outstanding for the low prices charged. However, taxation remained heavy and farmers in particular, faced with excessive demands

and the consequences of a severe drought, were in an unenviable position.

During the month, Hongkong's trade totalled \$247 million for imports and \$228.7 million for exports (1949 imports \$160.4 million, exports \$114.8 million).

May

The urgent need for unifying Korea was stressed by the U.S. Government, the desire for unity being uppermost in the minds of the 30 million Korean people. It was generally conceded that without national unification the economic reconstruction of the country would be extremely difficult. Political developments in South Korea became more disturbing and the holding of an election was urged by the U.S.

A picture of Shanghai drawn from private sources gave the position as: "seriousness and responsibility; no jokes, no unnecessary laughter; don't be humorous, don't waste, don't be frivolous; be frugal, save all you can for your country, work hard, do your job well without hope of reward.... The sentiment is heard everywhere, 'Though things are cheap, there is no money to buy.'" Two vessels left during the month for Shanghai, following collapse of the blockade from Taiwan. Southern ports were already being visited by foreign ships.

In Hongkong, imports from Japan flowed into the local market, consisting of printed cloth, artificial silk, electric fans, sewing machines, cameras, porcelain, cement, aluminium sheets, etc. Hongkong's total imports in May totalled \$297.6 million, while exports amounted to \$265.7 million (1949 imports were \$318 million and exports \$219 million).

June

On June 25 an attack was launched by the North Korean Government against South Korea, in spite of the UN Commission's report that the Koreans felt their difficulties could be overcome if "they would sit down together and seek a commonsense answer to their problems." The unification of the country was acknowledged as the avowed wish of all Koreans, and it was anticipated that if the North Koreans would consent to withdraw beyond the 38th Parallel there would be a basis for discussion.

Upon his return from Moscow, Mao Tse-tung stated publicly that parts of the capitalist system were still indispensable. As an indication of a return to more normal conditions, the fourth through train from Shanghai to Canton arrived successfully in Kowloon with some 500 tons of cargo. To expedite transit, no examination of cargo en route was demanded and the China Native Products Export Corporation undertook stevedoring. The fall of the Chusan Islands to the Chinese communist army took place.

Hongkong's trade returns showed that imports came to \$265.76 million and exports to \$263.45 million (1949 imports \$208 million and exports \$164 million). Over the half-year, imports amounted to \$1,660 million, while ex-

ports were \$1,425.9 million, as compared with \$1,229.65 million and \$982.5 million for imports and exports respectively during the first six months 1949.

July

The U.S. Government announced their intention of defending Formosa from attack, but at the same time called upon the Nationalist Government to refrain from any further air attacks on the mainland and from molesting shipping plying along the China coast. This demand by the United States, which signalled the complete cessation of air bombing, delighted Hongkong merchants as indicating the possibility of a restoration of legitimate trade. The U.S. Government at this time banned exports of fuel oils to China. Continued efforts to bring the Korean war to a close through the good offices of friendly states proved abortive. The Indian premier's appeal to Generalissimo Stalin to use his influence in halting operations in Korea also received little response.

Hongkong's trade during July totalled \$240.97 million in imports and \$294.77 in exports. The comparative figures during 1949 were \$191.18 millions in imports and \$194.99 million in exports.

August

To meet the threat to Indochina by the rebel forces, military equipment was despatched to the French army in that country from the U.S.A. On account of the outbreak of hostilities, some concern was felt over the prospects of the recently concluded Korea-Japan trade agreement. The agreement included the importation of rice into Japan from Korea in exchange for goods. The military situation in Korea continued uncertain.

A group of Chinese businessmen touring China to ascertain whether trade could be developed between the People's Government and Chinese manufacturers in Hongkong, suggested while in Peking that detailed proposals for a reciprocal trade scheme could be drawn up. The idea was not received very cordially and the visitors received the impression that the Peking authorities would continue to deal only with small capitalists for the next few years. Canton commenced clamping down upon its hitherto free press; out of 18 newspapers, only three were allowed to continue to function.

Trade during August showed that imports into Hongkong amounted to \$295.96 million in value while exports reached \$348 million. Comparing these figures with 1949, imports during August of that year totalled \$228.68 million in value while exports amounted to \$195 million.

September

Although the advance of the UN forces in Korea at first created optimism, later events showed a worsening in the situation with the North Koreans sending heavy reinforcements. U.S. controls upon exports to China were strengthened, and fol-

lowing this lead controls were imposed in Hongkong upon the export to China of certain commodities. With a view to stabilising the market for raw cotton, controls were also imposed in Pakistan upon the export of this commodity.

In China, satisfactory progress was reported in the rehabilitation of the railways which had been damaged during hostilities and a Peking correspondent wrote that "much praise has been given to the zeal and concerted efforts of the railways workers, the railway corporation of the PLA and the local population along the rail lines in the work of repair, but more prominence has been displayed to praising the assistance rendered by Soviet experts towards the same work, particularly in regard to the Kwai River Bridge.... There appeared to be some controversy over the theory and method of the restoration between Chinese engineers and Soviet experts. The Soviet views prevailed with successful results."

In Hongkong, shipping enterprise was emphasised by the launching of the s.s. Anshun from the Taikoo Dockyard. During the month trade amounted to \$358.8 million in imports and \$403 million in exports. The figures for the same month in 1949 were \$267 million and \$224.8 million respectively. The figures for the January/September trade totalled \$2,555.8 million for imports (in 1949 these totalled \$1,916.5 million) while exports amounted to \$2,467 million (1949 exports totalled \$1,597.5 million).

October

The end of resistance in North Korea seemed to be approaching as a result of the action taken by the United Nations to resist aggression. In Indochina, however, the situation appeared more serious, the French forces being obliged to give up several outposts with considerable loss of men.

The position of the raw silk industry in China was considered by Peking with a view to its rehabilitation, the industry having been almost totally destroyed in Kwangtung by the Japanese who wished to eliminate this threat to their own silk industry. Only 8 filatures were shown to be in operation at the end of 1949 as against 187 in 1932, and the number of reeling machines dropped from 100,000 to 1,500 of which only half were in regular operation. During this period silk for export dropped from 50,000 to 50 piculs while workers fell from 50,000 to 700 in number. Plans for a revival of the industry were under consideration.

A fall in the cotton crop as well as the exigencies of the Korean war, forced the U.S. to reduce all raw cotton export quotas for the year, Hongkong being allotted none. To prevent a shortage where local cotton mills were concerned, the Hongkong Govt. interposed with an embargo on exports of this commodity.

Hongkong's trade during the month amounted in value to \$368.49 million in imports and \$432.8 million in exports. During 1949 the figures for the month were \$277 million for imports and \$205.85 million for exports.

Hongkong's trade during December showed a declared value of \$436 million for imports of merchandise and of \$377.78 million for exports, as compared with the respective figures of \$286.66 million and \$279.4 million for

December 1949. Over the year, imports amounted to \$3,787.66 million and exports to \$3,715.55 million, as compared with \$2,749.6 million for imports in 1949 and \$2,319 million for exports.

November

Chinese so-called "volunteers" entered the war in Korea. The UN forces commenced a long retreat to Pyongyang and beyond. The Chinese communist forces proved to be overwhelming in number. India continued to appeal for international recognition of the People's Government.

A total of 90,658 unemployed was reported to have registered with the Shanghai Committee for the Relief of Unemployed since its inauguration in June. Cotton mills in Hongkong were badly affected by the restrictions imposed upon the export of raw cotton from the U.S., no allocation having been granted to the Colony. The shortage of cotton in the States, with an estimated yield of 9.82 million bales as against 16 million the previous season, was one of the causes for the restriction, although cotton was also banned from export as an essential war material. Hongkong's trade amounted to \$427.17 million in imports as against \$268.99 million in 1949 and \$442.7 million exports as against \$236 million in the previous year.

December

The year closed on a note of uncertainty. Peking appeared to be embarking upon a scheme of mobilisation which might indicate preparations for a major war if Russia were ready, and on every hand anxiety was expressed as to the possibility of the outbreak of a third world war. Opposed to this, however, was the view that Peking's great manpower might be used merely as an instrument of intimidation to obtain recognition by all the Great Powers and a seat on the United Nations. At the end of the year it was not certain which course would prevail. A state of emergency was declared by the President of the United States, assets of the Peking Government in the U.S. were frozen, and an embargo was imposed by the U.S., Canada and Japan against the shipment of all strategic materials to China, Hongkong and Macao. Cargoes en route to Hongkong were offloaded at Manila and other ports, and local industries faced a crisis. Details were obtained by the Hongkong authorities from local manufacturers as to their requirements, in order that the U.S. Government might be approached with a view to obtaining some relaxation of their controls. In retaliation against the action of the U.S.A., the Peking Government imposed an embargo upon the export of bristles, raw silk and woodoil, and prohibited all dealings in U.S. currency.

FORMOSA AND ITS EARLY INHABITANTS

Joshua W. K. Liao.

Far in the Western Pacific opposite Fukien Province and off the southeast coast of China there lies an island in the shape of a carp, which Malayan aborigines named *Pekan*, the Portuguese acclaimed as *Formosa*, and the Chinese have called *Taiwan*, literally meaning *Terraced Bay*. Separated in the west by the *Formosa Strait*, which varies in width from 80 to 200 miles, it is located between 20° 45' and 25° 38' north latitude and 120° 2' and 122° 6' east longitude in the middle of the longest chain of volcanic archipelagoes in the world that ranges from the *Kanchatka Peninsula* in the north down to the *Soenda Islands* in the south.

That chain of archipelagoes existed before the tertiary period had formed the eastern boundary of the *Asiatic Continent*. Thus, on no spot is the *Formosa Strait* deeper than 200 feet; whereas within 30 miles off the east and the south coasts of the *Island* the *Pacific Ocean* becomes abruptly deeper than 3,000 feet. Having evidently embanked the *Asiatic Continent* by intercepting the encroaching *Pacific Ocean*, the volcanic range passing through *Formosa* parades as many as 48 snow-clad peaks towering above 10,000 feet, stretches from north to south as long as 249 miles or 400 km., and forms the most magnificent mountain-range of *East Asia*. From their sides and bases extend ravines and rivers, basins and plateaus, forests and lowlands.

By the swift currents, of which most run westward and few eastward, have the hills and plains been drained and muddy water carried to fertilize fields and farms and make new alluvial plains mostly along the west coast by silt deposits. The east coast, however, inasmuch as constantly washed by the foaming waves of the *Pacific Ocean*, presents such attractive topographical features that Portuguese voyagers in 1590, when catching their first glimpse of the northeastern side of the *Island* and witnessing the blue mountain-peaks 7,000 feet in height piercing the fleecy clouds and vivid green verdures beneath rolling like so many terraced carpets, exclaimed out of admiration, "*Ilha formosa, ilha formosa.*"

The greatest width of the *Island* is 150 km. or 93 miles only. Approximately through it runs the *Tropic of Cancer*. South of the line the country falls within the tropics. The total area covers 35,760 sq. km. or 13,807 sq. miles about 3/5 of the *Michigan Lake* (22,336 sq. miles) or about 1/2 of the size of *Ireland* (26,601 sq. miles). There are 13 adjacent small isles—only six of which are inhabited—altogether 80 sq. km. in area while the famous *Pescadores*, Spanish (meaning "fishermen") on the *Formosa Strait*, numbering 64 and situated some 25 miles to the west, cover only 126.86 sq. km. The *Sakishima Archipelago* that lies from within 75 miles to the east belongs to

the *Loochoo group*. To the south across the *Bashi Channel* about 100 miles in width lies the *Batan Island* of the *Republic of the Philippines*.

In view of its insular position and oceanic location one can easily realize the warmth and humidity of its climate. True the intense heat over the *South Sea* forms the main cause of typhoons in summer and autumn that sweep along the *Chinese seacoast*, hit both *Formosa* and the *Loochoo Islands*, and usually result in loss of life and property. Similarly, owing to the presence of volcanoes, earthquakes are as frequent as sulphur and natural gas are abundant in certain mountains. None the less the fertility of the soil, the warmth of the sunshine, and the moisture in the air jointly produce a luxuriant vegetation all over the country since foliage appears as fast as it decays. Throughout the whole year buds are growing; flowers, blooming; fruits, ripening; birds, singing; wild animals, running; poisonous snakes, crawling; and mosquitoes, including malaria germ-carriers, buzzing.

Every year thus promises to be one of abundance; every region presents a prosperous land. Nevertheless, in view of natural mishaps and tropical diseases to which the country is susceptible, the inhabitants have to apply due diligence and intelligence in order to struggle for existence and prosperity.

* * *

Upon this island of treasure, half of whose total area is arable, there arrived *Polynesians*, *Chinese*, and *Japanese*, of oriental origins; *Portuguese*, *Spaniards*, and *Dutch*, of occidental extraction. From time immemorial the aborigines seem to have landed from the *South Sea Islands* and settled in *Formosa* since. Even in these days, certain tribesmen of *South Formosa* and the mountain-dwellers in *North Luzon* still speak exactly the same language. The *Chinese* claim to have discovered and colonized the *Island* since the beginning of the *Christian era*. The *Japanese* before their formal annexation of the place in 1895 had appeared as pirates and traders rather than as settlers.

On the contrary, the early *Portuguese* navigators attempted a small settlement at *Keelung* after 1590 to which "*Formosa*" was first applied, but which was precarious and short-lived. It was the *Dutch* who in 1624 began to establish the first solid *European colony*, *Fort Zeelandia* in the present *Anping area* on the *Island*, and were two years later followed by the *Spaniards*, who built their exquisite fort on the hilltop of *Tamsui* above the entrance of its harbor. In 1642 the *Spaniards* were driven out by the *Dutch*, leaving no trace other than the ruin of *Fort San Domingo*. Remnants

of the *Dutch* expelled by *Chinese* in 1662, however, seem to have mixed with both aborigines and *Chinese* settlers; so that nowadays some of their cultural traits, linguistic vestiges, and physical traits are often sensibly traceable.

The presentday population of *Formosa* according to the official census taken on July 1, 1946 comprises 6,041,506 native *Formosans* and 27,787 foreigners including *Japanese*, *Korean*, and other alien residents. The pure-blooded aborigines number about 160,000 at present; speak different but similarly bisyllabic languages of the same *Malayan origin*; and are divided into seven tribes, each in a different locality of the mountainous parts of the country—the *Taiyal* in the north, the *Saishet* in the northwest, the *Ami*, the *Bunun*, and the *Tsuwo* parallelly in the center from west to east, the *Paiwan* in the south, and the *Yami* on the *Botel Tabago Island* and the *Minor Botel Tabago Island* off the southeast coast. The total population must have increased at least by 1,000,000 since the influx of *Chinese* refugees began to appear in the autumn of 1948. Thus, according to an official census taken in March, 1950 the population was 7,454,886.

With the exceptions of the *Ami* and the *Yami* all the tribesmen are mountaineers occupying an area of 16,156 sq. km.—about 45% of the whole country. Their civilization on the whole has reached the transitional stage from fishing and hunting to agriculture. Yet it was not until the recent past that they gave up their custom of head-hunting. In this connection it has been hastily inferred that the aborigines as had been driven into the mountains by waves of *Chinese* immigration had to cut off any intruder's head to wreak their vengeance. In fact, heads had been offered by boys as initiation fees into the community of grownups and by men as sacrifices to the spirits of the unseen world. Besides, according to early *Chinese* and *Dutch* observers the aborigines were roughly divided between highlanders and lowlanders; between different tribes there was constant warfare; and among the highlanders head-hunting prevailed as proof of valor.

Civilization and conversion to Christianity mostly of the lowlanders attempted by the *Dutch* missionaries though brief in time, left considerably enduring influence. Here and there throughout the western and southern plains were built so many *Dutch settlements* and mission centers that the so-called "red-haired barbarians" described in *Chinese* records after the expulsion of the *Dutch* colonial authorities in 1661 must have been *Dutch* remnants and their offspring. So is the biggest, deepest, and oldest well in the present *Kagi City* believed to have been constructed by the early *Dutch* colonists and therefore still called "the red-haired well."

Almost every town has a certain section in its outskirts called "Barbarian Quarters", whose dwellers were either lowland aborigines or Dutch remnants or their mixed-blooded descendants. The author remembers very vividly the last "full-blooded" barbarian, a woman, married to a Formosan Chinese and dwelling in the Barbarian Quarters of his native town Silos, whom he saw very often in his early childhood, had a very fair complexion, brownish hair, blue eyes, and unbound feet. After her death there were no more barbarians in the locality. For her children all married to Formosan Chinese became undistinguishable from the rest of the people.

* * *

The alphabet taught by the Dutch Protestant missionaries to Romanize aboriginal languages remained in use for over 100 years. During that period of time all formal agreements between early Chinese settlers and aborigines had to be written with Chinese characters for Chinese and Roman letters for the native tongues. In the present Taiwan Historical Museum I actually found in a land-sale contract signed in the 6th Month of the 22nd year (1757) of the Ch'ien-lung reign between Chinese buyers and aboriginal sellers "Kieanrlong" for Ch'ien-lung" or "Khian-liong" in Amoy, "202 ni" for "22nd year", and "6 ge" for "6th Month". Of these word-structures "202" for "22" was evidently based on the Chinese "Er Shih Er" (Two Ten Two) for "22" rather than on the Dutch "Twee en twintig" (two and twenty) for "22".

As to the outcome of their evangelic work, Father de Mailla, S.J., who visited Formosa in 1715, found several aboriginals still able to speak and read Dutch and in possession of fragments of the Bible in Dutch. So did Du Halde in 1720. As late as the close of the 19th century the English Presbyterian missionary Dr. William Campbell found an illiterate vegetable gardener in possession of an old copy of the Bible in Dutch and claiming it to be his heirloom though he could hardly trace his own pedigree. The two "Tamed Barbarian" schoolmates of my eldest sister were named Dora and Luka respectively, though they did not know why such names for girls had been very common in their tribe.

By and large the aborigines became illiterate again. It is the Chinese immigrants and their descendants mixed with other elements that gave Formosa the start of a written history and gained the Island a place in the sun exactly like the Europeans in the Americas. At the time of the First Emperor of Ch'in (221-210 B.C.) the Chinese heard about a chain of islands in the eastern sea, among which Formosa was vaguely known first as Tung-t'i meaning "Huge Fish of the East." Subsequently, it came to be known as I-chou or Eastern Barbaric Land. In A.D. 230 the Grand Emperor of Wu sent out General Wei Wen and Chu-ko

Chih across the sea to explore the mysterious country, where they caught several thousand inhabitants and brought them back to China. According to authentic history, during the K'ai-huang (589-600) the Sui Emperor Wen dispatched General Ch'en Ling to occupy the Island then called Liu-ch'iu. There the Chinese found aborigines living in thatched hovels scattered here and there over hills and in gorges, depending for food upon fishing and hunting, cattle-raising and landtillage, and making knots as signs for memory. In 605 Admiral Chu K'uan placed in command of a fleet of 10,000 sailors was sent southwards. On the west coast of Formosa was a naval base subsequently established, it is claimed. In 639 the T'ang Emperor T'ai-tsung granted an audience to a Liuch'iu envoy (in all probability from some aboriginal chieftain in Formosa). Meanwhile, Chinese immigrants from the over-crowded districts on the southeast coast began to cross the Formosa Strait the more so after the famous Scholar Shih Chien-wu, who towards the end of the 9th century moved his whole clan to live in the Pescadores, introduced in detail through writings the beautiful island to Chinese readers.

* * *

Inside Formosa these early Chinese settlers pursued peaceful penetration. They classified the aborigines according to their varying extents of contact with the Chinese race and culture. The lowlanders were called "Plain-Dwelling Barbarians" and soon assimilated by the Chinese settlers; the mountaineers were called "Raw Barbarians" and remained wild till the recent past; while between them the inhabitants of the buffer regions who partly resisted and partly tolerated Chinese intrusion became the so-called "Tamed Barbarians". Practically all the early Chinese settlers were from South Fukien talking the widely spoken Amoy dialect. From North China emigrants on account of waves of barbarian invasion at the ends of the T'ang and the Sung appeared. Known as Hakkas or Strangers, they soon attempted to seek shelter abroad, too, but their number in Formosa has been not more than 10% of the total population.

During the alien Yuan Dynasty Chinese refugees across the Formosa Strait became alarmingly numerous so that in 1360 the Mongol authorities had to appoint a maritime inspector to the Pescadores, whose civil administration was placed under the Tungshan County of Fukien. During the transition from the Yuan to the Ming both the Pescadores and Formosa fell into the hands of Chinese pirates and their Japanese followers. Therefore, in 1373 the Ming Emperor T'ai-tsu in accordance with T'ang Ho's suggestion abolished the post of maritime inspector and in 1389 repatriated all the inhabitants of the Pescadores to the Changchow and Chuanchow area. Subsequently, as the naval expeditionary forces under Cheng Ho dispatched

by the Ming Emperor Ch'eng-tsu stopped at the Formosan seashores seven times between 1405 and 1420, the pirates' menace subsided for a while. But it reappeared as quickly as thought. Following the annihilation of Japanese pirates on the Fukien coast by Generals Yu Ta-yu and Ch'ih Chikuang in 1563 and 1564 the post of maritime inspector was revived in the Pescadores, but Formosa was left at the mercy of Chinese adventurers and their Japanese subordinates.

Thus in 1621 the Chuanchow pirate chief Yen Ssu-ch'i led his men, both Chinese and Japanese, to establish a foothold in Formosa, defying the then impotent Ming authorities. Upon his death in 1625 appeared his successor Cheng Chi-lung. Though the Dutch landed in Formosa in 1624, Chinese pirates continued controlling many seashores and local districts while Chinese settlers started reclaiming arable land. Therefore in 1635 Ho K'ai submitted to the Ming Emperor I-tsung a detailed plan for suppressing pirate-chiefs when it was too late. For rebels were springing up all over China; the Manchus were about to move inside the Great Wall; the Ming Throne was heading for its fall; while the Portuguese, the Spaniards, and the Dutch were converging on the southern fringe of the Middle Kingdom. Henceforth the beautiful island became the spot of contact and conflict between different races, both oriental and occidental, that has rarely witnessed any counterpart elsewhere in the world. And thereby was the History of Formosa destined to narrate the continuous struggle of an energetic people for liberty and prosperity against unwanted intruders and unjust rulers.

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COMMERCIAL NOTES

Movement of Ships in Kwangtung Ports

As from February 1, the Kwangtung authorities have promulgated new regulations governing the entry and departure of vessels into or from South China ports. Some of the points in these regulations are as follows:

(1) No vessel will be allowed to enter or leave the port of Canton via Bocca Tigris after sunset, unless special permission for night navigation has been obtained from the authorities.

(2) All vessels are required to proceed direct to destinations and are forbidden to call at ports en route.

(3) Vessels from Hongkong to Canton will not be permitted to call at the intermediate ports of Tai Ping, Tung K'un, Sin Tung and Sze-kiau.

(4) Vessels proceeding to Chung Shan are forbidden to pass by Ma Liu Chow and to use the tributaries Mo-tau Men and Yen Men, as these areas have been classified as strategic areas.

Entry & Exit Permits for Kwangtung

Persons entering or leaving Kwangtung province will, as from February 15, be expected to be in possession of permits issued by the local security authorities. The new measures are expected to affect seriously the large number of travelling traders between Hongkong and Canton, and will also prevent numbers of people leaving China in anticipation of the heavy income tax rates announced by the Peking Government. The regulations are as follows:

(1) All persons entering and leaving Kwangtung Province must be in possession of permits issued by the local security authorities.

(2) All towns on the border of Kwangtung province will be declared closed to communications, except Shumchun (on the Hongkong border) Whampoa (Canton), Kungpei, Pakhoi, Swatow, Swabue, Tsamkong, Kongmoon and Hoihow.

(3) Overseas Chinese who wish to return to Kwangtung will be exempted from the requirements provided they can prove to the authorities that they are domiciled in a foreign country. However, they may only enter Kwangtung through the above named towns.

(3) Persons attempting to enter or leave without permits, or entering at an unauthorised place will be severely punished.

Singapore Imports from Hongkong

The following note has been issued by the Singapore authorities to explain the position in regard to imports of American, Canadian and Japanese goods from Hongkong:

The importation of American/Canadian goods from Hongkong will continue to be licensed for payment to sterling to Hongkong. These goods must, however, be shipped from Hongkong. Direct shipment to Singapore from the countries of origin of non-sterling goods for which payment is made to Hongkong in sterling will not be permitted.

It is understood, however, that quantities of goods recently shipped from America and Canada to Hongkong intended for re-export to Singapore

against Singapore orders placed on Hongkong, have been discharged at ports en route. Applications to import these goods into Singapore from the ports of discharge will be considered if it can be shown that payment for the goods has been or will be made to Hongkong. It is also understood that vessels have recently left America for Hongkong carrying goods which have been ordered by Singapore merchants from Hongkong and that some of these vessels will not call at Hongkong. In these cases, application may be made for permission to arrange for the goods to be discharged at Singapore.

Imports of Japanese Goods from Hongkong. Information has been received from the Government of Hongkong that the re-export of Japanese goods from Hongkong to Singapore has been prohibited with effect from the 8th December, 1950, except in respect of irrevocable commitments entered into on or before this date.

It is also understood that the export of a number of classes of goods from Japan in now subject to licensing. If any assistance can be given to traders in the way of the issue of landing certificates on arrival of the goods or of documents certifying that the goods are for consumption in Malaya and/or nearby territories, it will be given on application to the A. P. Branch of the Imports and Exports Control Department.

Burma's Economic Development

Under a U.S. Economic Cooperation pact, Burma will receive from the United States aid up to US\$8/10 million during the current fiscal year. This amount will be applied to schemes covering agriculture, mining, transportation, and communication, and public health.

The purchase of machinery valued at over US\$1.8 million has been made by the Burmese Government from the U.S. under a two-year plan for economic development. The machinery is required for a new government-owned spinning and weaving mill now under construction near Rangoon and which is expected to go into operation shortly. In addition, 200 looms were brought from Japan.

Thailand Loans from the International Bank

The first loans to be granted by the International Bank for Reconstruction & Development (IBRD) to a country in Southeast Asia have been made to Thailand under an agreement dated October 27, 1950.

To October 31, 1950, loans granted by the International Bank to 19 countries exceeded US\$1 billion, of which \$627 has been dispersed.

The economy of Thailand is mainly agricultural, with most of the arable land devoted to rice cultivation. The financial position, both internally and externally, is strong and Thailand's debt record has been good.

Three loans, amounting to \$25.4 million will be used to finance three projects:

1. Rehabilitation of the railways,—\$3 million for purchase of urgently needed spare parts, rolling stock, installation of signalling equipment and the re-designing and re-equipping of the Makasan workshop. (2¼% per annum plus 1% usual commission for the Bank's special reserve fund; term 15 years; amortization payments start April 15, 1954).

2. Development of the port of Bangkok,—\$4.4 million to meet the cost of dredging the bar, deepening part of the quay opposite the harbour and improving port facilities. (2¼% per annum plus 1% usual commission; term 15 years; amortization payments start 15 April 1954).

3. Irrigation project—\$18 million for the construction of a barrage across the Chao Phya River at Chainat Province, about 120 miles north of Bangkok, and for further extension and improvement of canals and water distribution systems designed to provide an assured water supply of about 2,260,000 acres of arable land in the central plain. Approximately 470,000 tons of rice and 75,000 tons of soyabeans will be available for export when this project is completed. (3% per annum plus 1% usual commission for the Bank's special reserve fund. Term 20 years; amortization payments start 15 April 1956).

HONGKONG COMMODITY MARKETS

With many merchants engaged in making up their accounts for the settlements that accompany China New Year and with a holiday spirit overhanging the markets, comparatively little business was transacted last week, except in case of necessity. Orders for fertilizers, for instance, were rushed through by dealers from China, who were not only anxious to return to their homes for the holiday but were under pressure owing to the expiration of their import licences at the year's end. Money was tight; but this notwithstanding, stockholders preferred to hold back supplies in the firm belief that with the revival of trade after New Year there would be a further increase in the prices of most imported commodities. This applies in particular to paper, in the case of which the anticipated rise is fairly well-grounded upon the shortage created by the U.S. embargo and the raised indent prices abroad. Cotton yarn prices also have been affected by the Indian Government's suspension of export permits and by the prohibition imposed by the Chinese authorities upon shipments of yarn and piece goods from Shanghai. The Chinese export prohibition has made the local market almost entirely dependent upon India for a supply of yarns, as apart from the local output yarns from other countries such as Great Britain and Italy are too expensive for this market. The Indian control is therefore all the more keenly felt.

Raw Cotton

A further rise occurred last week in the price of raw cotton on the local market; several transactions, however, took place. Pakistan 49/50 NT-roller gin as well as LSS-r.g. rose from \$4 per lb. to \$4.10 per lb., while 289F-r.g. increased from \$4.10 to \$4.15; 4F-r.g. stood at \$3.90 per lb. Rangoon raw cotton after being quoted at \$3.80 per lb. was offered at \$3.40. The Egyptian product fell to \$4.20 per lb. About 4000 bales of Egyptian and Turkish cotton are expected early this month for use in the manufacture of yarn of 40 counts.

Cotton Yarn

Cotton yarn again showed an upward trend as a result of heavy purchases by dealers from Indonesia and Pakistan. Speculators were also in the market, but stockholders would not part readily with their goods, hoping for further advances in view of the difficulty of procuring supplies from India. Indian 10's J.K. brand rose to \$1540 and Phoenix Mills to \$1520; 20's Cockatoo brand showed an increase to \$1940 per bale, Madura Mills \$2000, Peacock No. 610 to \$1850, Phoenix Mills sold at \$1870 and Krishna Kumar at \$1850 per bale; 26's Loyal Textile Mills sold at \$1870 per bale; 32's Sree Meenakshi Mills fetched \$2100 and Madura Mills were quoted at \$2180 per bale. In locally-made yarn, 10's Double Lion was offered at \$1620 per bale and Gold Peak at \$1650; 20's Bat & Urn sold at \$2080 per bale, Panda was

quoted at \$2200, Pine & Bamboo, Red Double Lion and Red Rose were offered at \$2250, White Elephant though standing nominally at \$2250 sold at \$2150 per bale; 32's Golden Peak sold at \$2600 per bale, Flying Fish was quoted at \$2650 per bale; 40's Ameto and Yacht were offered at \$3000 per bale but fell later to \$2950.

Cotton Piece Goods

Dealings in cotton piece goods were very few during the week, the tightness of money in view of the approaching China New Year hampering operations. An increase in the indent price of Indian 36 inch 40 yard grey sheeting to \$60 as against the price of \$64 obtained on the local market, deterred dealers from placing orders in view of the low margin of profit allowed. In grey sheeting, Green Mammoth was quoted at \$80 per bolt, while ABC stood at \$74 and Japanese 2023 at \$82 per bolt; in white cloth Three Peaches was offered at the lower rate of \$85 per bolt while Japanese 2003 was quoted at \$80 per bolt.

Metals

The metal market on the whole was quiet. Around 2000 tons of metals arriving from France helped to ease the supply situation. Demand from China was chiefly for mild steel round bars, mild steel plates, wire rods and galvanized iron wire. Prices at the close were as follows: mild steel round bars 40 ft. $\frac{1}{4}$ " to $\frac{1}{2}$ " were quoted at \$97 per picul (133.3 lbs.) and $\frac{5}{8}$ " to 1" sold first at the average price of \$95, then was quoted at \$100 and ended at \$98 per picul; angle bars $3/16$ " thick $1\frac{1}{2}$ " and $1\frac{3}{4}$ " were offered at \$95 per picul; flat bars $\frac{1}{4}$ " thick 1"-2" sold at \$90 per picul. Mild steel plates 4' x 8' $\frac{1}{4}$ " rose to \$120 per picul, while $3/16$ " was quoted at \$108 and $\frac{1}{4}$ " to $\frac{1}{2}$ " sold at \$110 per picul. Wire rods first quality $3/16$ " to $\frac{1}{4}$ " (British) sold at \$95 per picul. Galvd. iron wire G18 to G24 was in great demand by dealers from Canton; G16 was offered at \$145 per picul, G18 sold at \$175, G20 at \$195, G22 at \$205 while G24 was quoted at \$210.

Industrial Chemicals

Trading in industrial chemicals was slow, with prices holding firm in some instances while falling in others. Quebracho extract was one of the items that showed a drop, following the arrival of around 20,000 bags; sales were effected at \$1.80 and \$1.75 per lb. for spot and \$1.60 forward. ICI bicarbonate of soda, refined, 100 kg. bag was quoted at \$93 per bag for spot. Australian sodium bichromate in 560 lb. drums sold at \$2.08 per lb., an increase in price. ICI sodium hydrosulphite in 50 kg. drums was transacted at \$950 per ton forward. ICI soda ash 90 kg. bag sold at \$66 per bag. American sodium nitrate (Chilean natural) 250 kg. barrel rose in price to \$57.50 per picul. Paraffin wax in 100 kg. bag was quoted at \$140 per picul. Caustic soda 'crescent' brand (I.C.I.) in 300 kg. drum rose to

\$460 per drum, sales having been effected at \$445; the U.S. variety stood at \$420 per drum.

Fertilizers

Heavy demands from China for fertilizers before import licences expired at China New Year, kept prices steady. Offers of nitrate of ammonia have been received from the USSR at the price of \$580 per ton c.i.f. Hongkong; advantage is being taken of these offers by several local firms, as a substitute for the Japanese and American products. Closing prices for sulphate of ammonia were: 'Cross axes' brand (Holland) 100 kg. gunny bag sold at \$740 per ton and 'golden coin' brand changed hands at \$735 per ton; ICI 'black moon' 100 kg., shipment afloat, was quoted at \$740 per ton.

Paper

Paper, as a result of increased indent prices from abroad and the U.S. embargo, has been greatly increased in price, the process being added to by speculative dealings. In anticipation of a further rise, after China New Year, holders have been most reluctant to part with stocks. Norwegian newsprint in reel 52 gr. 31 in. was quoted at \$1.08 per lb. and the Japanese product at 97 cents per lb., but no large transactions took place; European newsprint in ream 31" x 43" 50 lbs. sold at \$54 per ream and Japanese 48 lbs. was offered at \$49 per ream. M.G. white cap 25" x 44"

17½ lbs. was quoted at \$23/\$24 per ream, but buyers counteroffered \$21/\$22 per ream and few transactions took place. Some dealings occurred in Norwegian manifold paper 22" x 34" 16 lbs. at \$48 per ream. Woodfree printing paper with sufficient supplies of the Japanese make available remained steady, 57 lbs. to 60 lbs. being priced at \$1.65 per lb. and 65 lbs. to 70 lbs. selling at \$1.55 per lb.; Japanese 60 lbs. sold at \$1.45 per lb., 70 lbs. at \$1.35 per lb. and 80 lbs. at \$1.25 per lb. Japanese strawboard No. 8 was transacted at \$920 per ton, while the Dutch make was quoted at \$970 per ton. Bond paper, watermarked, sold at \$59 per ream; unwatermarked bond paper was quoted at \$58 per ream; the coloured variety stood at \$60 per ream. Japanese cellophane paper sold at \$160 per ream, the Belgian, French, Polish and Czech makes being quoted at \$175 per ream, while the British product fell slightly to \$185 per ream. Japanese cigarette paper on bobbin 20" x 30" sold at \$25.10 per ream, while the US, British, French and Austrian makes stood at \$27/\$30 per ream.

China Produce

In return for metals and other bartered products, continual shipments of vegetable oils are now being made from Canton to Hongkong, which has eased the supply situation. A subsidence in the demand for tung oil (woodoil) from Europe and the U.S.A. made for quiet trading. After rising to \$260 per picul, the price fell to \$255 and \$245 for bulk quantities; European buying offers were £270/275 per ton c. & f. Europe, against selling offers at £285 per ton. Teaseed oil 4% f.f.a. was in demand by European buyers and buying offers rose to £285 per long ton c. & f. Europe; local quotations were at \$285 per picul for spot, but few transactions actually took place at this figure, which is now considerably higher than that for tungoil. Plentiful arrivals of cassia oil and aniseed oil from South China and a decline in the demand from abroad, brought about a fall in prices: cassia oil 80-85% c.a. dropped to \$3000. per picul, while aniseed oil 15 deg. fell to \$1380 per picul.

A demand from exporters for aniseed star (Honan) 2nd quality brought about a rise in price to \$210 while Nanning 1st qual. sold at \$220 but fell later to \$215 per picul. Cassia lignea remained firm, notwithstanding the arrival of about 2000 bales from South China and few transactions, with holders reluctant to part with their stocks; West River 1st qual. in 1 cwt. bale was quoted at \$128 f.o.b. and the 80 lb. bale at \$125 per picul; cassia lignea scraped (Honan) after selling at \$147 was quoted at \$150 per picul and the unscraped product was offered at \$170 per picul. Japanese buyers were interested in both green and white ramie and shortage of stocks sent prices up to \$240 per picul for green and \$260 per picul for white ramie, owing, to a lack of agreement between buyers and sellers, however, no transactions were concluded.

THE BANK OF EAST ASIA, LTD., HONGKONG

The Thirty-Second Ordinary Yearly Meeting of The Bank of East Asia, Ltd., was held at the Registered Office of the Bank, 10 Des Voeux Road Central, on 1st February 1951.

The Chairman in his report stated, inter alia, that the actual working position for the year represents another record in the history of the bank. Including the sum of \$764,525.90 brought forward from the previous year's account the net profit for the year amounts to \$3,582,391.96. This successful result was chiefly due to the steady increase in all departments of business, and the increase of over-sea remittances. The main sources of revenue came from commission on credits, interest on loans and bonds, rents on bank building, other real estates, and safe deposit boxes, profit on exchange and fees from trust and agency business.

The Balance Sheet shows that the grand total of Assets and Liabilities stands at the record figure of over \$98 million, an increase of nearly \$20 million over the previous year. This is an indication of the increasing confidence of the general public in our institution.

Owing to the present uncertain conditions in the world, the Directors considered it essential to operate the bank on a conservative basis. As a consequence of this policy our cash

position together with Government and other securities stood, at the end of 1950, at the very high figure of more than \$73 million, which exceeded the total of our customers' deposits by over \$5 million.

"The cost of our new premises in Saigon had been added to the Bank premises account and your Directors consider it advisable to write-off this account by \$140,917.92. This account which comprises bank premises both here and abroad is now standing in our book at the very conservative figure of \$3 million."

During the year, in addition to the installation of new safe deposit boxes and an air conditioning unit, the Bank bought some more accounting machines and other equipment for use in Hongkong and in our branches to cope with the growth of our business. These additions account for the increase of a sum of \$358,392.99 in the Furniture Account and the Directors decided to write off this account by \$58,392.99.

The proposed payment of a dividend and bonus of \$8.50 per share, free of tax, represents a return to shareholders of \$9.71 gross per share. The Directors' proposed to bring up the Reserve Fund to \$5 million by transferring the sum of \$1.5 million from the Profit and Loss Appropriation Account.

HONGKONG PUBLIC WORKS DEPARTMENT

Progress Report for October, November, December 1950

The report issued by the HK Government Public Works Department for the last quarter of 1950 shows that the new residence of the Colonial Secretary is nearly ready, the carcass of the main building and servants' quarters having been completed and the finishings in hand. General sketch plans and elevations were completed by the Architectural Office for the proposed new Secretariat and Government offices; detailed sketch plans for the Secretariat were completed and those for the east wing were awaiting approval of offices concerned. Plans and elevations were forwarded for consideration by the Arts Council.

In the Building Ordinance Office, 120 domestic permits were issued for 58 European type houses; 131 Chinese type houses; 2 hotels; 2 staff quarters; 1 block of 16 flats; and 1 temporary lepers' hut on Victoria Road.

64 non-domestic permits were issued for 16 temporary sheds; 3 office buildings; 2 churches; 3 garages; 5 godowns; 2 cinema theatres; 1 tea house; 15 stores; 2 factories; 1 restaurant; 1 workshop; 3 stations; 1 poultry laan; 1 parochial hall; 1 amusement park; 1 Nissen hut; 1 aluminium rolling mill; 1 school; and 1 office at All Saints Church, Yim Po Fong St.

The following permits were also issued: 61 matsheds, 55 hoardings & scaffoldings, 11 miscellaneous, 9 permits for renewal.

A total of 44 applications for purchase of Crown Land (including extension to existing lots, exchanges, grants, etc.) was received by the Crown Lands & Survey Office; 6 lots were sold by Public Auction realising a sum of \$571,300; 4 lots were sold by Private

Treaty realising a sum of \$2,518,410; 10 lots were granted in exchange; Extensions were granted to 3 lots; 3 free grants were made; new Crown Leases were granted in respect of 6 lots; extension of time for completion of Building Covenants was granted on 46 lots, fines were imposed in each case; 315 permits were issued for temporary leasing of Crown Land, the total annual fee amounting to \$148,643.

General maintenance work by the Drainage Office proceeded satisfactorily; 1027 choked sewers were cleared on the Island and 1088 on the Mainland, increases of 78 & 453 respectively compared with the previous quarter. Repair works to nullahs, sewers, culverts and anti-malarial works totalled: Island 261 Mainland 63.

Numerous minor works, necessitated by road improvements, new Government buildings, etc., were carried out.

Outline drainage schemes for Lai Chi Kok reclamation were prepared; also a drainage system for proposed working class flats at North Point, a scheme for culverting Argyle Street nullah, drainage works at Kai Tak etc.

Dry weather flow gaugings of Island nullahs were commenced.

The construction of a new car park in Statue Square was completed by the Roads Office. The raising and reconstruction of Queen's Road Central in vibrated concrete between Ice House Street and Pedder Street was completed. The reconstruction of Queen's Road East, between the Monument and Stubbs Road was commenced. Work was also in hand on the realignment and reconstruction of Keswick Street.

The reconstruction of Nathan Road between Waterloo Road and Gascoigne Road including installation of new traffic islands under contract No. 23 of 1950 was completed.

Extensive terracing, channelling and laying of footpath were carried out in the development of Wo Shek and Sandy Ridge Cemeteries. Footpaths, road surfacing and channelling around Grand Theatre Tsun Wan together with paths and access road to Tsun Wan Police Station were completed. Survey for widening and realignment of mile 9 to 10 Castle Peak Road has been completed.

The following valuations were submitted by the Valuation & Resumption Office:

Lease Renewals—Total valuation of 4 lots amounting to \$145,200.

Resumption Purposes—Estimated valuation for road re-alignment amounting to \$50,000; Resumption notices were posted on a total of 77 lots.

Exchange—3 properties were valued at \$51,468.

Estate Duty—110 hereditaments were valued at \$4,306,800.

Miscellaneous—Government property values, purchases by Government, town planning schemes, depreciation funds, etc.; total valuations amounted to \$6,252,400.

WATERWORKS

The total rainfall for the quarter was 9.67 inches as against an average of 7.13 inches.

The total amount of water in storage on 31st December was 4,532 million gallons as against 4,702 million gallons on the same date in 1949, a decrease of 170 million gallons.

Numerous slips of earth and rock were cleared from various catchwaters. Repairs were effected to the 24" main at Eastern and along Bowen Road. The underwater survey and the determination of the capacity at various depths for the Tytan Reservoir were completed. Tenders were invited for laying of a 36" pipe line at Shing Mun.

The period under review started with a 12 hours supply. Owing to an overall improvement of the storage position the number of hours was gradually increased to 17 hours. An uninterrupted supply of this duration was given from the 7th to the 19th October. On the 20th October the 12 hours schedule had to be re-introduced and remained in force until the end of the quarter. Total consumption for the quarter was 3,065 million gallons, 68 million gallons less than during the corresponding period of the last year, when a 17 hours supply was available during the whole month of October and a 15 hours supply was given for the rest of the period.

Boring work was completed at the site for the new Alexandra Building and boring was continued at Lai Chi Kok Hill. Two bores were completed for the Portworks Office near Murray Pier in connection with the Central reclamation scheme.

"The Transfer of \$250,000 to the provision of Corporation Profits Tax Reserve in addition to the Property Tax already paid, is considered sufficient to meet liability payable for the year."

The Directors proposed that the balance of \$3,582,391.96 standing at the Profit & Loss Appropriation Account be dealt with as follows:

To Pay a Dividend and Bonus of \$8.50 per share (free of Tax) on 100,000 shares	\$ 850,000.00
To Transfer to Reserve Fund	1,500,000.00
To Transfer to Provision for Corporation Profits Tax	250,000.00
To Carry forward	982,391.96
	<u>\$3,582,391.96</u>

The Japanese Gold Market

Marco Polo, the Venetian traveller, writing of Japan called it "the Island of Gold." In a sense this was correct, because at that time Japan had no important export of any commodity other than gold, and was obliged to use the precious metal in payment of imports from China. Today, however, Japan in the modern sense would be considered neither a gold producer nor a gold holder; in fact, the output of gold was and is by no means anything of which to boast. On the small scale, however, of economic activity in ancient Japan gold naturally took the highest place as a medium of exchange, only required occasionally in large transactions, as compared with the ordinary circulation of silver and copper coins in continental China. As a result, even in recent times the Japanese neither regarded gold as money in the same sense as did the Westerner, nor did they consider the acquisition of gold the best means of accumulating wealth.

By the Meiji Era (1868-1912) a currency system after the Western model was adopted and a legal valuation was maintained of Yen 5 per 1 monme (3.75 g.) of fine gold. However, the unit being valued at too high a rate compared with the average standard of living, the Japanese could not afford to use gold for ornament, and consequently concentrated more upon beautiful clothing than upon jewellery.

Following the Meiji Era, the economy of the country was comparatively stable, with little social unrest and no drastic price fluctuations. The nation, therefore, did not need to hoard the metal in order to conserve wealth. As a result, almost all the gold in Japan since the adoption of the gold standard in 1871 was usually concentrated in central holdings, this being regarded as a matter of course by the people.

Later years saw an upward trend in Japan's economy, and scope existed for speculation or money-making in various ways, so that even with foreign exchange dealings which might be expected to affect the price of gold it was not realised that black market transactions could exist to any important extent. It therefore follows that the Japanese as a nation are in a sense unfamiliar with gold transactions or without experience in such matters.

However, as general commercial dealings diminished with the strengthening of economic controls, a black market in gold gradually developed between Japan and China. After the outbreak of war, in particular, the following forces tended to stimulate dealings in gold: narrowing of commercial objectives; the threat to the value of Japanese currency caused by uncertainty; the disadvantage of holding wealth in concrete forms which were liable to taxation; social unrest and other such factors; increased activity in

HONGKONG'S TRADE IN TEXTILES

Imports of Cotton Yarn

	Monthly Average 1947	Monthly Average 1948	Monthly Average 1949	Monthly Average Jan.-Sept., 1950	Nov., 1950
	lbs.	lbs.	lbs.	lbs.	lbs.
United Kingdom	38,257	329,121	527,308	161,821	104,573
India	—	—	618,558	2,437,433	2,318,602
Malaya (British)	336	—	5,167	7,778	490,193
Burma	—	—	—	—	800
China, North	227,633	1,209,581	689,259	309,863	46,400
" Middle	—	—	—	46,667	—
" South	—	87,667	249,200	310,417	—
Egypt	367	—	2,561	—	—
Holland	—	967	285	819	—
Japan	666,667	333,333	—	2,267	—
Macao	53,185	—	—	55,333	—
U. S. A.	1,309	553	2,660	1,222	—
Italy	2,514	558,788	41,886	—	—
Total	990,268	2,520,010	2,136,885	3,333,623	2,960,573
Index on basis monthly average, 1947	100	254	216	337	299

Note:—The unit of measurement is piece lengths in yards, since no data are available on widths to enable measurement to be made in square yards. Widths vary from 54 inches to 27 inches.

Imports of Rayon & Rayon Mixtures

	Monthly Average 1947	Monthly Average 1948	Monthly Average 1949	Monthly Average Jan.-Sept., 1950	Nov., 1950
	Yds.	Yds.	Yds.	Yds.	Yds.
United Kingdom	7,494	38,539	71,108	178,882	67,644
Australia	—	50	—	—	—
Canada	1,378	513	—	—	—
India	2,420	—	—	635	—
Malaya (British)	—	377	16,667	8,344	11,800
British Commonwealth of Nations, Other	—	169	—	—	—
Belgium	173	503	36	239	4,411
China, North	3,286	11,000	4	127	—
" Middle	—	—	2,061	—	—
" South	793	6,558	—	7,641	—
Czechoslovakia	—	1,809	5,908	984	—
France	2,372	4,742	6,226	10,423	3,152
Germany	—	981	746	1,779	—
Holland	208	2,004	3,484	2,134	135
Japan	22,868	247,286	421,307	1,599,618	6,524,814
Korea	—	125	—	—	—
Macao	—	21	1,202	1,621	4,900
Italy	9,038	3,095	76,943	93,178	39,678
Philippines	7,800	20,761	79,277	—	—
Spain	—	417	—	—	—
Sweden	—	—	—	1,955	—
Switzerland	755	5,681	6,805	4,669	831
U. S. A.	91,036	133,040	659,969	697,563	296,917
Norway	—	—	270	—	—
Thailand	—	—	8,852	—	—
All other countries	—	—	2,740	—	—
Total	149,621	477,674	1,363,605	2,609,792	6,954,282
Index on basis monthly average, 1947	100	319	911	1,744	4,648

the international movement of capital; ever increasing social unrest in East Asia; unreasonable rigidity in the trade and exchange controls imposed in

Japan; a shortage of gold for civil consumption, notwithstanding good progress made in peacetime economy; inability of the gold mining industry to

make a profit under the government's buying price.

From three definite sources, gold can flow into the Japanese black market: a) from supplies hoarded by the people; b) illicit sales by gold producers or refiners; c) smuggling from abroad. In addition, gold is sometimes disposed of by the government; this, however, even where it is a possible source in point of price, not always proves to be important from the point of volume, on account of demand exceeding supply. Gold under the first heading is mainly in the form of ornaments, which are generally of small value; is it happens, also, the greater part of these ornaments were bought up semi-compulsorily by the central authorities during the last war. Even where the owners were successful in hoarding their gold ornaments until the end of the war, in the great majority of cases they have had to dispose of them for the purchase of food during the post war period and the bulk of the gold has gone abroad.

Gold holdings in Japan today, amounting to \$270 million, are kept as monetary reserves by the Foreign Exchange Control Commission and the Allied Forces' Commercial Accounts. In addition, gold to the value of around \$140 million (including a small proportion of silver) is held by S.C.A.P. and will no doubt be returned to the Japanese government at some future date. In the aggregate, there would seem to be only the small sum of \$410 million on balance. As past facts go to show that the greater part of the gold in Japan was gathered into the hands of the government, such quantities as can be expected from private holdings can only be small.

Under the second heading, according to figures published by the producers, Japan's output of gold recently reached a level of 300/400 kgs. per month. Government purchases from producers and in the open market come more or less around this level. For industrial, medical and other use, some 100 kgs. of the metal is released monthly out of the central pool, but this amount does not represent the quantity required by gold users. About the same figure has to be found in the black market to fill requirements. Most of this gold may well come directly from the gold producers. During the war, regardless of how much might be accumulated in Japan, the government found difficulty in procuring requisite materials from abroad; for this reason, the gold producing industry lost governmental support and found it difficult to continue operating. If it is taken into consideration that rehabilitation in this industry was somewhat delayed owing to difficulties arising out of the procuring of capital and construction materials, if the producers had put on the black market about the same amount as the published output figures, it might come

Exports of Cotton & Rayon Piece Goods from Hongkong

Cotton Piece Goods	Monthly Average 1947	Monthly Average 1948	Monthly Average 1949	Monthly Average Jan.-Sept., 1950	Nov., 1950
	Yds.	Yds.	Yds.	Yds.	Yds.
United Kingdom	313	1,718	4,035	290,975	1,206,173
Australia	533	251,506	229,451	246,255	429,563
Canada	—	—	—	89	2,520
Ceylon	2,521	24,474	24,554	1,573	67,500
Malaya (British)	4,337,173	3,340,813	1,710,158	3,024,136	2,604,168
New Zealand	—	458	11,986	2,756	18,000
British East Africa	63,582	403,277	284,335	20,398	20,200
British West Africa	7,358	41,129	48,896	32,840	8,600
British South Africa	2,926	96,645	141,931	113,825	410,667
British North Borneo	114,002	102,655	101,507	114,310	23,469
British West Indies	—	413,754	16,209	112,606	33,000
India	18,316	714,365	18,167	—	—
British Commonwealth of Nations, Other	183,780	293,759	142,218	42,659	24,254
Afghanistan	—	13,900	—	—	—
Burma	152	10,757	7,049	21,882	—
China, North	2140	4,156	5,501	2,900	—
" Middle	9,543	9,867	286,945	1,738,803	2,698,069
" South	5,298	905	509,089	683,645	1,120
Central America	586	286	1,020	—	—
Cuba	5	—	50	—	—
Denmark	—	16,810	36,000	40,351	24,400
Egypt	7,683	—	—	—	—
Elhasa	13,433	185,979	56,407	—	—
French Indochina	483	13,757	26,034	26,877	—
Holland	—	1,667	2,000	15,111	—
Iran	49,349	5,337	—	—	—
Iraq	100,691	521,595	157,274	—	—
Italy	—	—	1	—	—
Japan	—	67	957	16,548	—
Korea, North	—	—	411,808	182,311	—
Korea, South	3,799	16,516	49,724	311	—
Macao	24,443	226,420	1,254,606	544,956	273,707
Norway	—	35,633	251	—	—
Oman	10,900	141,072	115,753	100	—
Pakistan	—	—	1,208,233	1,106,594	100,676
Philippines	141,586	1,286,991	639,267	1,260,505	1,377,439
Port E. Africa	28,077	28,549	28,433	3,967	900
South America	—	—	—	1,146	856
Syria	9,250	5,775	—	—	—
Sweden	—	—	13,917	24,167	—
Thailand	1,202,207	2,150,326	1,291,866	840,765	919,924
U. S. A.	217	—	596	1,125	—
Indonesia	929,379	643,231	75,173	608,866	1,531,193
Other Countries	10,300	20,898	333,849	42,024	27,849
Total	7,281,106	11,025,049	9,245,253	11,132,409	11,804,243
Index on basis monthly average, 1947	100	151	127	153	162
Rayon piece-goods	45,874	322,846	639,555	1,973,269	7,819,166
Index on basis monthly average, 1947	100	704	1,394	4,302	17,045
Rayon mixture piece-goods	605	18,663	34,794	27,675	79,265
Index on basis monthly average, 1947	100	3,085	5,751	4,574	13,102

Gold Production & Consumption in Japan (In Kilograms)

1950	Produc- tion	Govt. Purchase	Total	Indus- trial	Medical	Other
Jan.-Mar.	994	1019	329	17	311	0
Apr.-June	1037	1094	346	21	311	14
July-Sept.	1262	1263	378	64	311	1

only to the small total of around 3,600 kgs.

The third source is now in process of formation in the form of settlement by means of trade accounts and of capital escaped from China since the Korean war,—before this date in Japan gold traded through the black market was flowing abroad. It is not possible to give reliable figures as to the amount of the precious metal supplied through this newly developed source, but changes in price reflect a considerable increase in the amount traded. In Japan the official price of gold is still fixed at Yen 5 per 1 monme (3.75 g.) and gold is subjected to the provisions of the Coinage Law, but the Japanese government's buying price is now at Yen 401 per 1 g. in terms of the US dollar. Black market rates in the local markets are about 20% above the official rate as shown below:

Black Market Rates in Gold & Silver

	Gold Yen per 1 g.	Silver Yen per 1 g.
Tokyo	500-600	7
Fukuoka	400-500	6-7
Osaka	450-500	7
Nagoya	450-550	6-7
Akita	550-650	7-8

Before the Korean war, gold reached Yen 2500-3000 per 1 monme (3.75 g.), but later dropped rapidly and is now at Yen 2000 or less. Visible stocks of gold are very scarce in Japan, which naturally affects the market keenly.

Another form of gold market may also be referred to in this connection,—this is the note market. Prices of notes are usually in accord with the trends in the black market prices of gold; however, partly due to limited circulation and partly to ever-changing supply and demand, the fluctuations in note prices are more frequent than those of gold. The so-called "green" notes were valued in Yokohama at Yen 415-450 (buying) or Yen 390-415 (selling) per \$1 of nominal value early in November. A month later they were standing at Yen 450-500 (buying) or Yen 400-415 (selling) with the prospect of further advance. As to the "brown" note, the average prices are from Yen 20-30 below the rates for the "green." Since the summer, at various places in Kyushu, there has been an excess of "brown" notes, due to special circumstances arising from the Korean war, these are now near the level of Yen 360, or the official exchange rate for Yen against US dollar. When "green" notes are at Yen 450 per \$1, the comparison would be at about the gold rate of Yen 500 per 1 g.

The black market in gold is said to be mainly carried on by foreigners, very few Japanese being in it. Financial obstacles would make it difficult for Japanese to enter market. When "green" or "brown" notes are concerned, the situation is different as transactions are simpler with small funds, consequently numbers of Japanese are in this market.

ECONOMIC SURVEY OF CURRENT DEVELOPMENTS IN JAPAN

General. The prevailing economic situation has developed favourably, in anticipation of the peace conference.

The industrial production index compiled by GHQ. (1932-36=100) was 97.8 in September and is expected to exceed the pre-war level in October. The index, which includes industrial production and public utilities exceeded the pre-war level since the end of last year. Industrial production is, according to a survey by the Economic Stabilization Board, expected to be 101.3 in the 1950 fiscal year and 114.2 in the fiscal year 1951, the increase being most pronounced in iron ore, lead, zinc, sulphur, iron and steel, aluminium, automobile, shipbuilding, etc., and Japanese economy is expected to tend to heavy industrialization.

The recent favourable turn in the economic situation was chiefly due to the active export trade, as well as the special demands and the changes in the international situation after the outbreak of hostilities in Korea. Furthermore, exports to the sterling areas which were stagnant after the peak in July, showed a favourable turn in October, and total exports

are expected to recover to the 70 million dollar level in October.

The special demands, according to the investigation made by ESB., amounted to 126 million dollars up to October 15, commodities accounting for 75 million dollars and services 50 million dollars. By commodities, the demands for machinery ranked first, with 40 per cent of the total, followed by metals and manufactures thereof, timber, paper, textiles, chemicals, etc. The special demands which comprise commodities for military purposes at present are expected to be replaced by those for reconstruction and rehabilitation. Demands during the October-December period, according to the Foreign Exchange Budget, are estimated to be about 50 million dollars.

On the other hand, changes in the international situation have brought about several new difficulties to Japanese economy.

Export activities have swept away the accumulated stocks, but the demands for trade funds have increased, accompanied by speculative buying funds resulting in the development of inflationary trends. City

Imports of Cotton Piece Goods

	Monthly Average 1947	Monthly Average 1948	Monthly Average 1949	Monthly Average Jan.-Sept., 1950	Nov., 1950
	Yds.	Yds.	Yds.	Yds.	Yds.
United Kingdom	631,684	485,027	464,068	588,964	201,863
Australia	206	—	—	107	—
Canada	639	1,129	210	1,109	—
Ceylon	—	—	—	667	—
Malaya (British)	6,669	139,665	724,635	1,435,920	3,908,369
British North Borneo	1	2,975	75	236	—
India	89,175	4,932	202,725	2,961,824	981,805
China, North	1,409,452	3,195,171	2,598,291	1,259,932	189,910
" Middle	693	1,169	583	4,243	4,000
" South	1,972,138	1,421,887	209,336	657,468	10,000
Central America	2,188	—	12,495	5,178	—
Czechoslovakia	—	4,008	17,700	50,080	6,934
Belgium	5,269	2,392	1,183	2,582	2,788
Egypt	87	2,500	—	—	—
France	6,199	57,802	146,615	12,946	17,420
Germany	—	22,065	2,728	8,401	483
Holland	20,472	67,068	39,495	58,623	—
Hungary	—	360	—	—	—
Italy	4,213	7,747	61,120	27,288	19,573
Japan	11,563	55,318	554,531	1,536,247	2,778,150
Korea, South	—	667	66,667	1,081	—
Macao	585,202	1,136,178	805,658	205,122	42,057
Norway	—	—	6,401	—	—
Philippines	5,777	27	53,812	—	—
Portugal	190	—	—	—	—
Spain	—	750	—	—	—
Sweden	—	—	167	—	—
Switzerland	677	5,596	5,742	6,496	5,717
U. S. A.	143,011	67,643	346,977	504,990	267,162
All other countries	—	—	—	1,333	—
Total	4,895,493	6,682,076	6,321,213	9,330,837	8,436,236
Index on basis monthly average, 1947	100	136	129	191	172

banks are suffering from a tendency of over-loan due to the stagnation of the increasing tendency of deposits and expansion of advances.

Imports of raw materials became inactive due to changes in international circumstances and a stringency of funds for imports, and the shortage of commodities has been accelerated, giving an impetus to speculative buying. The upward movement of domestic prices has been remarkable since the outbreak of the Korean war, which was most pronounced in textile materials, textile manufactures, metals and products thereof.

Despite the favourable development of industrial production, further efforts must be exerted in order to increase exports and to attain a self-sustaining economy, in anticipation of the deduction of U.S. Aid Funds for Japan. According to a survey by ESE, industrial production must be increased by about 50-100 per cent so as to attain the export target necessary for a self-sufficient economy. Positive measures for a production increase are now being thoroughly studied.

Under these circumstances, Mr. Dodge *announced in his message on the occasion of his third visit to Japan a continuance of the disinflation policy and at the same time, stressed the necessity for a production increase and the promotion of a sound export. Thus, the budget for the 1951-52 fiscal year and the financial problems should be discussed with a view to adjusting the so-called Dodge line and recent international circumstances. Some new ideas are expected to be adopted concerning measures to promote exports and investments for improving capital goods.

First of all, accommodations for private enterprises and medium and small sized enterprises from the U.S. Aid Counterpart Fund will be increased. Furthermore accommodations for long-term equipment funds, in order to promote business rationalization, are expected to be supplied from the U.S. Aid Counterpart Fund and the Deposit Bureau funds.

On the other hand, the budget will, it is said be strictly curtailed and a careful study made by Mr. Dodge concerning tax reduction, wage raise and the payment of a year-end allowance for public services, a raise on the price of rice, amount of subsidies, etc., which were included in the draft of the budget by the government. In any case, on the suggestion of Mr. Dodge, a positive impetus will be given to Japanese economic policy which has been rather shaky in the past.

Money and Credit. In the October-December period, the note issue usually shows a remarkable increase owing to government payments for the delivery of rice. The outstanding note issue at the beginning of October this year was 328,781 yen. Efforts must be made to check advances by the Bank of Japan, in order to restrict currency expansion within the target of 340-350 billion yen at the end of the year, in view of the expected increase of government payment over receipts amounting to 80-90 billion yen during this period. On the other hand, however, the recent industrial activity and foreign trade have brought about increasing demands for industrial and trade funds. To adjust this situation, so as to attain a self-sustaining economy and to stabilize currency is an important problem to be solved, which is now being discussed by the authorities concerned and Mr. Dodge. The problem is, in other words, how to supply adequate industrial and trade funds without a credit expansion by the Bank of Japan and overloans by city banks. Therefore, the utilization of a large amount of surplus funds in the U.S. Aid Counterpart Fund and the Deposit Bureau's funds for industrial purposes is at first being discussed. Mr. Dodge, however, gave his opinion that the present inflationary trend is a temporary phenomenon brought about by the special demands, the greater part of the benefits accruing from which must be employed to improve basic capital goods. A curtailment of short-term funds must be realized as a prerequisite for the utilization of the Counterpart fund and Deposit Bureau's funds.

Security market. The security market turned dull after the end of August, affected by the unchanged severe monetary stringency. The stock price index compiled by the Tokyo Stock Exchange (Aug. 1946=100), declined by 2.9 per cent in September compared with the previous month, reaching 343.5. The volume and value index of security transactions showed a respective decline of 56.7 per cent and 58.0 per cent compared with August. By industries, the stock prices of transportation, fishing, commerce and

the metal industry showed either a slight upward trend or were at standstill, whilst food-processing declined by 10.4 per cent followed by shipping (7.1%), gas and electricity (5.9%).

The market continued stagnant in October and the average stock prices fluctuated around the 77 yen level, in spite of some favourable factors, such as the break-through of the 38 parallel by the U.N. forces, rumours of a rise of the pound sterling, etc., but a favourable turn of the security market cannot be expected in the near future because of the present monetary situation.

The issue market, on the other hand, continued remarkably active after the enforcement of market operations by the Bank of Japan in June last year, accompanied by the redemption of Reconstruction Finance Bank bonds and the national debt, contrasting greatly with the inactivity of the security market. The issue of industrial bonds which reached to 16.6 billion yen at the end of last year registered more than 3 billion yen per month during this year. The smooth digestion of these bonds was principally due to the market operations of 3.5-5.5 billion yen per month and the successive reduction of interest rates in August, September, October last year and April this year, (from 10.97-12.5% p.a. to 10.28-11.97% p.a.) However, in May, bond digestion became a little difficult due to the cautious attitude of the Bank of Japan, the bond issue being 1.6 billion yen in June, after which absorption became rather smooth, attributable to market operations and government redemption. The bond market became active due to business expansion caused by the special demands, the increased capacity of floatation of loans with the enforcement of the revaluation of assets, and continued inactivity on the security market, though bond digestion became very stagnant after September affected by the severe monetary stringency, 70-80 million yen remaining undigested at the end of September. Bonds of 400-500 million yen remained undigested on October 21 out of a total of 5,025 million yen issued in

INCREASE OR DECREASE OF NOTE ISSUE, ADVANCES BY THE BANK AND GOVERNMENT FUNDS

(in million yen)

	Note Issue	Advances by the Bank of Japan	Gov't funds
During Apr.-June period	159	1,324	*37,893
" July	8,626	*11,858	13,526
" Aug.	4,809	28,060	*25,223
" Sept.	4,163	9,674	*14,232
During July-Sept. period	17,496	25,876	*25,929
" first ten days in Oct.	3,497	4,111	7,891
" second "	*3,283	*10,601	4,761
" third "	15,674	*7,753	21,761
" October	15,908	*14,243	33,456

* decrease

that month. Furthermore, the digestion of industrial bonds has been affected severely by the rapid increase of bond issues by financial institutions. As measures to digest industrial bonds, the Bank of Japan is considering to continue market operations, to utilize the surplus funds held by the Central Co-operative Bank for Agriculture and Forestry, etc. The purchase of bonds of financial institutions by the U.S. Aid Counterpart Fund and the Deposit Bureau's funds, and the early establishment of a bond market are earnestly required.

Prices. The prices movement, showed a rapid rise after the outbreak of hostilities in Korea due to the international price advance, increasing special demands, export activity, etc. added by the speculative buying. moderated after the middle of August. The wholesale price index in Tokyo in September registered a 2.2 per cent advance compared with the previous month (5.7% in July, 4.8% in August). In comparison with June, the general index in September advanced by 12.9 per cent, the most notable upward trend being in metals and manufactures thereof (3.5%) and textiles (28.4%).

The retail price index in Tokyo registered a 1.5 per cent advance as compared with the previous month (0.8% in July, 8.2% in August), and 10.6 per cent in comparison with June, textile goods rising by 17.6 per cent, whilst light and fuel decreased by 1.3 per cent. The above two indices were greatly affected by the official price movement, and the upward trend of free and black market prices was remarkable. The free and black market price index of producers' goods in Tokyo advanced by 23.4 per cent compared with June, being most pronounced in chemical products (47.3%, in which category caustic soda jumped by 100.5% and soda ash by 96.2%) and metals and products thereof (43.9%, electric wire 77.9%, galvanized sheet 71.7%, ordinary rolled steel 39.6%). That of consumers' goods advanced by 15.2 per cent compared with June, but in comparison with August, the index in September fell by 3.2 per cent due to the price fall in staple foods (14.3%), textiles (8.6%), etc.

As mentioned, the lack of purchasing Power, especially that of consumers, has checked the upward movement

of prices, and it is feared that the tendency of high costs of raw materials and low prices of manufactured goods will become remarkable and that the difference between domestic and international prices become more apparent.

All in all, the ascending tendency of basic materials still continued in October, led by the raise in official prices of pig iron by about 20 per cent from October 28, due to the abolition of subsidies, as well as by the bullish sentiment in international markets. The government is studying the question of stabilizing prices, and the standard prices of spun rayon yarn and rayon filament yarn were decided on October 3, with the intention of checking excess-profiteering, etc. The fixing of standard prices and export control on non-ferrous metals is under consideration. Price stabilization is essential under prevailing economic conditions, and the promotion of imports of raw materials, the checking of an unreasonable rise in prices, and the supply of import funds must be materialized.

Industrial production. Industrial production continued active in August owing to the favourable export trade and the special demands. The production index compiled by the Economic Stabilization Board exceeded, though slightly, the pre-war level (1933-1935) in August, and registered a further advance in September. Despite a recovery in general, however, there was large difference among the rate of increase by industries, machinery showing an advance of 211.3 per cent as against 39.6 per cent in textile industry.

(1) Mining. The coal output which declined sharply in August due to the fall in operation rate, recovered to 3,190,000 tons in September, and the monthly output per worker also advanced from 8.81 tons in August to 8.8 tons in September. Meanwhile, the number of workers continued to decrease, the decrease in September being 3,300, as a result of the restriction of new employment due to the financial difficulties in coal mines.

The coal delivery improved gradually from the bottom in July to 2,889,000 tons in August, or an increase of 200,000 tons over the July figure. Particularly, deliveries for industrial use showed a sharp increase of 160,000 tons affected by the war boom, reaching the peak for the past six months. Stocks were reduced to 4,203,000 tons at the end of August, decreasing by 311,000 tons compared with July. The future demands for coal are expected to increase, and, it is estimated that demands will amount to 22,700,000 tons and the supply 20,000,000 tons, the difference being 2,700,000 tons during the second half of this fiscal year (Oct.-Mar.). As a result, stocks will decline to 1,700,000 tons at the end of the period as against the estimated amount of 4,400,000 tons at the end of September. Despite such a favourable turn in coal mining, however, the conditions of minor mines have still been difficult and, in accordance with development of coal mining rationalization, more mines will be compelled to stop operations.

(2) Metal industry. Production continued favourable, rolled steel secondary products, galvanized sheets and light metal exceeding the previous month level. Output of iron and steel maintained the level of the previous month as a whole, pig iron declined, in which electrolytic pig iron rapidly decreased due to the electric shortage, though the decline in the blast furnace pig iron was rather slight. The stagnation of pig iron production in spite of the increasing demands is explained by the fact that the working capacity has reached its limit. The Kamaishi Iron Works opened one blast furnace in order to increase production capacity. The output of ordinary rolled steel totalled 247,994 tons and special rolled

steel 6,269 tons, increasing by 6 per cent and 8 per cent respectively compared with the previous month. The existing equipment can not meet the heavy increase in demands for rolled steel. Sales of rolled steel amounted to 58.6 million yen, an increase of 3.6 million yen over the previous month, and stocks at wholesalers declined. Price of rolled steel also advanced sharply since August, indicating an advance of 59 per cent at the beginning of October compared with the April-June figures. Under such circumstances, makers are endeavouring to establish the production increase plan, but the supply of raw materials will be a serious problem to be solved.

(3) Machinery industry. Production has shown a marked activity due to the special demands. Total output in August amounted to 13,999 million yen or an advance of 11 per cent over July. By branches, the output of machine-tools was reduced by 11 per cent compared with June, whilst the machinery for industrial use increased by 8 per cent as a whole, the increase being most pronounced in mining machines (an increase of 21 per cent), civil engineering and construction machines (14%), hydraulic machines (72%) and foodstuff processing machines (72%). Textile machinery increased sharply due to the abolition of restrictions on spindles for cotton and rayon staple production. Electric machinery also gained by 9 per cent due to the activity in transformer, battery and electric bulb. Production of vehicles, particularly automobiles, which was benefited most by the special demands, continued to advance more favourably. The output of ordinary automobiles exceeded by 36 per cent of the previous month level. Rolling stocks were also favourable due to the special demands and export to Thailand. However, it must be mentioned that many small plants have been difficult in contrast to the prosperity of large plants, the idle plants being 518 (5.5% of whole plants) and the closed plants 62 (0.7%) in August.

(4) Chemical industry. Production, which continued to fall since May, showed a further decline, principally due to the large decline in the chemical fertilizer production. The output of superphosphate of lime fell to 85,437 tons (a decrease of 28% below July), ammonium sulphate to 112,661 tons (a decrease of 16%) and calcium cyanamide to 27,928 tons (a decrease of 36%). The seasonal decline in demand, the makers' production restriction due to farmers' hoarding of fertilizers in anticipation of advancing price after the abolition of control, and the repair of factories were responsible for this decline. Excepting the stagnation of chemical fertilizer production, the chemical production

was favourable as a whole. Production of caustic soda by both electrolytic process and ammonium process advanced. Especially the production of the latter totalled 17,257 tons, an increase of 10 per cent over the previous month, indicating the post-war peak. Market continued to be active and stocks decrease, due to the increasing actual consumption as well as the speculative purchase in anticipation of price rise to be caused by the decline in import of salt. In view of this demand and supply conditions, the control, which is scheduled to be abolished in October, was decided to continue, but the subsidies were abolished resulting in an advance in selling price by 30 per cent. Dyestuffs production recovered from the stagnation, reaching almost double the previous month, due to the favourable demand, both domestic and abroad, in particular, to the increase in the domestic demand for direct colours, acid mordant colours and the large export of sulphur colours. The output of urea resin and oils and fats products also advanced as a whole.

(5) Textile industry. Under the seasonal depressing conditions, the production of both yarns and tissues was favourable in August, due to the active special demands and export. The output of cotton yarn totalled 44,591,000 pounds, maintaining the previous month level. But the raw cotton was still in short supply, which will be aggravated by the quantitative limitation imposed upon the import of American cotton during the period from August 1950 to March 1951. The output of cotton tissues amounted to 129,973,000 square yards, or an increase of 3 per cent over the previous month level which was the post-war peak, and the average output per one weaving machine per day also advanced from 58.2 square yards in July to 59.5 square yards in August, due to the favourable export trade and the increasing special demands. The output of silk tissues also increased by 6 per cent. Rayon filament yarn, rayon staple and spun rayon yarn were favourable due to the active demands, home and abroad, and advancing prices. Woolen and hemp goods were also favourable in general.

As stated above, the industrial production has continued to develop very favourably under the world-wide war boom since the outbreak of the Korean war. However, there are many unfavourable factors in our industries, such as poor supply of raw materials, small capital accumulation, enormous superannuated equipments, etc. Consequently, with the increase in demand the production capacity will reach its limit. Moreover, owing to the extremely restricted home market, unsold stocks will again accumulate when existing special demands disappear. From this view point, dollars acquired should be utilized to improve the fundamental capital goods.

RUBBER FACTORIES OF HONGKONG

The rising tempo of war preparations in various parts of the world is having its repercussions on Hongkong. Not only is the Colony's position as an entrepot threatened, but its newly won role as an expanding industrial centre is jeopardised. The increasing international political tension and the resultant export control imposed by a lengthening list of countries may cut off most of Hongkong's interport trade and furthermore, to stifle its flourishing industries.

In industrial circles, a sense of uncertainty and insecurity is in evidence regarding the future, for Hongkong is not a self-sufficient entity and does not only have no markets of its own for its wide range of products, but also does not produce any of the raw materials required to feed its many industries. Apart from a minimum for local consumption, all the goods produced have to be exported overseas, while all raw materials have to be imported from foreign countries. With nations in all parts of the world clamping down on the importation of non-military goods, in which the factories of Hongkong specialise, and imposing drastic restrictions on the export of supplies of military value, there can be little doubt that trying days are ahead for the manufacturing circles of Hongkong.

Owing to falling market demand on account of high prices, and increasing hardships in procuring raw materials, difficulties facing the local industries are now becoming general. The shrinking market and excessive cost of production have compelled more and more factories to curtail productive activities or to temporarily suspend operations. As most of the manufacturing concerns still have varying amounts of stocks of raw materials laid up and the local market is capable of meeting immediate requirements, an industrial crisis is not foreseen in the near future. The next three to six months, however, will be a decisive period, and if no solution could be found in ensuring market demand and raw material supply, a serious situation could hardly be avoidable. Efforts are at present being exerted in both official and private quarters to save Hongkong from the fate of a "quarantined" city, and it is generally hoped that these efforts will at least meet with a certain measure of success.

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Of the different industries of Hongkong, one of the most heavily affected by the current belligerent temper of the world is the manufacturing of rubber products. Difficulties have been mounting steadily since the outbreak of the Korean war as the result of the sharp rise of the price of crude rubber. The prohibitive cost of rubber and reduced overseas demand have compelled the factories to generally slow down their activities or to suspend work completely.

The rubber manufacturing industry of Hongkong has a history of over 30 years and plays a major role in the industrial life of the Colony, being second in scope and importance only to the postwar textile industry. In 1949 the exports of rubber footwear, the chief products of the industry, were valued at \$13,001,409, occupying 18.2 percent of the total exports and next only to those of textiles, which claimed 23.8 percent of the total.

The majority of the locally-produced rubber footwear was exported to the United Kingdom and British possessions in all parts of the world. Before the change of government in China, there was also an active and dependable market in the South China coastal area, and further, large orders were often placed with the local manufacturers by the Chinese army authorities.

Until recently, the United Kingdom was one of the best customers of the rubber footwear produced in Hongkong. Owing to the heavy jump in rubber prices following the outbreak of the Korean conflict, demand from this direction has fallen off considerably. Local manufacturing circles, however, are not too concerned with the heavy drop in business and regard the present void as only natural. It is explained that with rubber prices having soared so steeply, neither producers nor merchants are certain of the future and prefer not to make any unnecessary commitments until the situation has cleared up and the rubber market has become more stabilised.

The price of crude rubber, which now stands at about \$500 per picul, has soared 30 percent or more from the level prevailing in the first half of this year. On the other hand, the market prices of finished products have increased by only 20 to 50 percent. This is one of the chief reasons why operations under the present condition are so difficult and why so many producers, unable to meet the cost of production, are left with no choice except to wait for a more opportune time to resume normal production when either the price of rubber has declined or the prices of rubber goods have caught up with the abnormal rise of the raw material. At present no signs of either are in sight.

First indication of serious trouble being encountered by the industry came last August 9, when the Fung Keong Rubber Mfy. Ltd., one of the largest and best known in the business, suddenly announced suspension of work, throwing more than 1,700 workers out of employment. Explanations given by the factory management for the decision were that the dislocation of the prices of raw and finished products had

caused serious losses to the company, and that to prevent further losses the firm was compelled to lay up work temporarily. After nearly five months of suspension, this manufactory is now reported to have started preparations to resume operation early next January. This should indicate a change for the better in the general situation and should create a greater degree of confidence among the industry.

Meanwhile another enterprise, the United Rubber Works Co., Ltd., with factory located in Hing Wah Street, Castle Peak Road, Kowloon, and producing rubber shoes and boots, bicycle tubes and rubber bands and balls, announced liquidation on December 15 after having ceased operating for about half a year. This closure has not created any pessimistic feelings in the trade as it is expressly pointed out that the liquidation is voluntary and has not been caused by business losses.

Looking at the situation as a whole, the present trouble of the industry lies in the excessive cost of crude rubber. Factories with raw rubber stocks were reported some time ago to be disposing of such stocks in the market, as by so doing they were able to realise greater returns than from continuing production. It is quite plain that as long as the present international tension continues and the world persists in scrambling for supplies to build up stockpiles for military purposes, the price of rubber will be kept at a high level and civilian consumers will have little chance of obtaining the material at a low cost.

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There are at present 43 registered rubber factories in Hongkong. Of this number only six are established on a comparatively large scale and each employs more than 200 workers. Approximately 75 percent of these plants produce rubber footwear, including rubber shoes, boots, sandals, slippers, soles and heels. Many of these also turn out on the side such products as rubber toys, bicycle tubes, ball bladders, bands and balls. The larger factories produce from 200,000 to 450,000 pairs of rubber shoes a month while the smaller ones have a monthly output of 30,000 to 60,000 pairs.

A total of 17 out of the 43 factories produce rubber toys, either exclusively or in conjunction with other rubber goods. Rubber toys are a comparatively new introduction in Hongkong, and because of their novelty they are finding a relatively good market today. In addition to Hongkong itself, orders for these toys are received chiefly from Africa and South America. These toys comprise a fairly large variety, and those which are having the widest reception are toy balloons and inflatable animals. Good demand for them from overseas countries is enabling the makers to carry on production satisfactorily.

Sandakan Light & Power Co. (1922) Ltd.

The twenty-fourth ordinary yearly meeting of the Sandakan Light & Power Co. (1922) Ltd., was held on February 2 at the offices of the Union Trading Co., Ltd. The chairman in his report stated that the Company's accounts reflected a great improvement in the position and even though there was a small loss on operation of \$5,037 this was a decided forward step in comparison with the previous year, which showed a loss of \$121,400.

During the year the sale of units per month gradually increased from 28,770 in July 1949, to 57,355 in June 1950, and gross revenue increased from Straits \$120,700 in 1948/9 to \$185,280 for the year 1949/50. Operation costs were reduced by \$5,700. The Profit & Loss Account showed a gross profit on operation for the year ended June 30 1950, of \$59,191 as compared with a loss of \$71,781 in the previous financial period. Interest Payable increased by \$5,500 and Depreciation charge by \$9,400.

The Company lodged a claim on War Damage on the basis of 1941 insured values for St. \$305,000, and this claim was eventually assessed at \$205,800; St. \$122,485 was awarded, of which 50% was paid in September last. The cash received was applied to reduce the Bank indebtedness and the balance of \$61,242, when received, would be used likewise, thus reducing the Company's overdraft by nearly a quarter of a million dollars.

Early in 1950 negotiations were opened to merge the undertaking in an All-North Borneo Electricity Scheme; the new Company to be incorporated in North Borneo.